

UNITED STATES DISTRICT COURT  
DISTRICT OF MINNESOTA

Criminal No. 13-74 PJS/FLN

UNITED STATES OF AMERICA,

Plaintiff,

v.

INDICTMENT

1. MICHAEL ANTHONY SCHLEGEL,  
a/k/a Mike Schlegel,
2. BRADLEY MARK COLLIN,  
a/k/a Brad Collin,

18 U.S.C. § 371  
26 U.S.C. § 7201  
26 U.S.C. § 7203

Defendants.

THE UNITED STATES GRAND JURY CHARGES THAT:

**INTRODUCTORY ALLEGATIONS**

At times relevant to this Indictment:

1. Defendants Michael Anthony Schlegel and Bradley Mark Collin were residents of the State of Minnesota.
2. In 2000, the Internal Revenue Service ("IRS") levied back taxes, interest and penalties against Schlegel totaling more than \$600,000.00.
3. In 2004, the IRS levied back taxes, interest and penalties against Collin totaling more than \$80,000.00.
4. Beginning in or about 2002, and continuing through 2009, Schlegel controlled The Master's Miracle, Inc., later known as NatureRich, Inc., ("TMM/NatureRich") a multi-level marketing company located in Minnesota and selling natural and health-related products. Like other multi-level marketing companies,

SCANNED

APR 10 2013

U.S. DISTRICT COURT ST. PAUL

FILED APR 09 2013  
RICHARD D. SLETTEN, CLERK  
JUDGMENT ENTD  
DEPUTY CLERK

TMM/NatureRich paid commissions to an individual salesperson based on his or her direct sales and on the sales of his or her "down line" salespeople. "Down line" salespeople include people whom the individual salesperson recruited to the company's sales force. At various times between 2002 and 2009, Schlegel and Colin received wages and commission payments from TMM/NatureRich totaling more than \$500,000.00 and \$350,000.00, respectively.

5. Beginning in or about 2002 and continuing through 2008, Schlegel caused TMM/NatureRich to pay Schlegel's commissions to a nominee trust named the "Andrew James Living Trust." Schlegel caused these commission payments to be deposited into a bank account in the name of Andrew James Living Trust, and used the Andrew James Living Trust bank account to pay his and his family's expenses.

6. To supplement his TMM/NatureRich income during 2006 through 2008, Schlegel also operated a painting business and received income of more than \$400,000.00 from painting contracts.

7. In or about January 2004, Schlegel through the nominee entity Maple Ridge, LLC, and Collin through the nominee entity Majestic Oaks Group, LLC, began engaging the services of Olympic Business Systems, LLC, and Century Business Concepts, LLC, ("Olympic/Century"). Olympic/Century was located in Washington and was operated by R.A. as a "warehouse" banking service, meaning R.A. used one or more bank accounts to comingle multiple clients' funds, to conduct transactions on behalf of those clients, and to thereby conceal the true source(s) of the funds and the true beneficiaries of the financial transactions. Schlegel, Collin, and others acting at their

direction instructed Olympic/Century to conduct financial transactions on Schlegel and Collin's behalf, including receiving and paying out investor funds for Horizon Establishment (described in more detail below), paying monies to themselves, paying their personal expenses, and paying monies to keep TMM/NatureRich afloat.

8. To track the funds infused to capitalize the then-ailing TMM/NatureRich, Schlegel and Collin had TMM/NatureRich memorialize the capital infusions as "loans" from the nominee entity Red Maple, LLC, to TMM/NatureRich. In reality, Red Maple, LLC, was simply a nominee entity of Schlegel and Collin, such that the loans were actually from Schlegel and Collin for TMM/NatureRich's benefit.

9. Beginning in about April 2004 and continuing through in or about October 2005, Schlegel and Collin solicited more than \$5 million of investor funds for Horizon Establishment ("Horizon"), a company located in Georgia and operated by Travis Correll. Through Horizon, Correll and others acting on his behalf secured investors with promises of large returns on an overseas banking investment. In fact, the investment did not exist, and Correll used the money to pay his own business and personal expenses and to pay investors purported investment return payments, known as Ponzi payments or lulling payments. Schlegel and Collin appropriated for their own use approximately \$1.7 million of the funds sent to them by investors and/or returned to them by Horizon. To conceal and disguise their use of the funds received as a result of their involvement with Horizon, Schlegel and Collin used several nominee entities (Success by Design, Big Sky Establishments, and Genesis Systems, among others) as well as the warehouse banking services of Olympic/Century.

10. In or about 2004, Schlegel and Collin hired D.H., a Certified Public Accountant and former IRS employee. At that time, Schlegel purportedly desired to straighten out his tax affairs and thereby avoid problems with the IRS if TMM/NatureRich became a success. Schlegel told D.H. that Schlegel had earned significant income in recent years and had tried to hide the income from the IRS, including by receiving his income through the Andrew James Living Trust. D.H. told Schlegel that he owed significant taxes, interest and penalties to the IRS based on the money that he had received from TMM/NatureRich, among other sources, and advised Schlegel to file tax returns with the IRS to account for his significant, outstanding tax liabilities. Thereafter, Schlegel discontinued his use of D.H., and never filed the 2003 federal tax return D.H. prepared for Schlegel.

11. Instead, beginning in or about July 2005 and continuing through 2010, Schlegel and Collin caused TMM/NatureRich to file federal U.S. Corporate Income Tax Returns that contained false statements regarding the ownership of TMM/NatureRich in order to impede the IRS's collection of their tax debts, to prevent the IRS from discovering and/or investigating the income that had been paid to them, and to shelter the future income that they expected to earn from TMM/NatureRich. Specifically, Schlegel, directly and on Collin's behalf, continued to assert that Red Maple, LLC, was the 96 percent owner of TMM/NatureRich when Red Maple, LLC, was nothing more than a nominee entity through which Schlegel and Collin were hiding income from the IRS.

12. Both Schlegel and Collin have advocated anti-tax philosophies common among tax protestors and have actively sought information on anti-tax strategies.

13. Neither Schlegel nor Collin has filed federal individual income tax returns since the early 1990s.

**COUNT 1**

**(18 U.S.C. § 371: Conspiracy to Defraud the United States)**

14. From at least in or about 2002 through at least 2010, in the State and District of Minnesota, the defendants,

**MICHAEL ANTHONY SCHLEGEL,**  
a/k/a Mike Schlegel,  
**BRADLEY MARK COLLIN,**  
a/k/a Brad Collin,

and others known and unknown to the grand jury, did unlawfully and knowingly conspire, combine, confederate and agree with other persons both known and unknown to the grand jury to defraud the United States by deceitful and dishonest means by impeding, impairing, obstructing, and defeating the lawful governmental functions of the Internal Revenue Service, an agency of the United States, and the Treasury Department of the United States in the ascertainment, computation, assessment, and collection of revenue, that is, federal individual income taxes.

**OBJECT OF THE CONSPIRACY**

15. The object of the conspiracy was to prevent and impede the IRS from collecting personal income taxes on income earned by Schlegel and Collin, to disguise and conceal from the IRS the source and location of income and assets controlled by Schlegel and Collin, and to obstruct the IRS's ability to collect on previously assessed tax liabilities.

**MANNER AND MEANS**

16. Defendants Schlegel, Collin, and others known and unknown to the grand jury, carried out their conspiracy through the following means, among others:

- a. failing to make any payment toward and thwarting the collection of more than \$600,000.00 in back taxes, interest and penalties levied in 2000 against Schlegel and more than \$80,000.00 in back taxes, interest, and penalties levied in 2004 against Collin;
- b. failing to file federal individual tax returns for tax years including and not limited to 2002 through 2009 inclusive;
- c. concealing income to themselves through the use of multiple nominee entities (such as Red Maple, LLC), one or more nominee trusts (such as the Andrew James Living Trust), and the warehouse banking service (Olympic/Century);
- d. seeking then declining to follow the advice of a legitimate tax professional D.H. regarding the filing of individual income tax returns and the payment of taxes;
- e. filing federal corporate tax returns in the name of TMM/NatureRich, which concealed the true extent of Schlegel and Collin's interest in and control of TMM/NatureRich and income received from TMM/NatureRich; and
- f. pursuing "tax protestor" ideologies, a ploy to dodge payment of an individual's fair share of federal taxes.

17. Through the above-described means, from 2002 through 2009, Schlegel and Collin attempted to and did conceal at least approximately \$3 million in gross income from the IRS, and thereby purposely avoided paying individual income taxes owed on that income and avoided having those funds seized for payment of their previously levied tax debts.

### **OVERT ACTS**

18. In furtherance of the conspiracy and to achieve the objects thereof, Schlegel, Collin, and others known and unknown to the grand jury committed the following overt acts, among others, in the District of Minnesota and elsewhere:

- a. On or about October 15, 2003, Colin completed an "Application for Delivery of Mail Through Agent," such that mail for "Success by Design, Big Sky Establishment, Majestic Oaks Group, and Bradley Collin" could be delivered to box 139 at a UPS Store in Maple Grove, Minnesota.
- b. On or about December 3, 2003, Collin and Schlegel, as senior manager and vice senior manager, respectively, formed Success By Design, LLC, in the State of Washington.
- c. On or about January 2, 2004, Schlegel signed a "Customer Banking Affidavit" with Olympic/Century -- the warehouse banking service -- using the nominee entity Maple Ridge, LLC, and included his driver's license number.

- d. On or about January 2, 2004, Collin signed a "Customer Banking Affidavit" with Olympic/Century using the nominee entity Majestic Oaks, LLC, and included his driver's license number.
- e. On or about January 16, 2004, Collin, as "senior manager," signed a Wells Fargo Business Account Application for Success by Design, LLC.
- f. On or about January 23, 2004, Olympic/Century issued an invoice to Majestic Oaks, LLC, for services rendered including the provision of check #1090 payable to HEMI, check #1091 payable to "Gordon Colin," and check #1092 payable to L.H. and identifying in the memo line "For Brad/Kim Collins."
- g. On or about July 19, 2004, Success By Design paid TMM/NatureRich \$63,200.00.
- h. On or about July 21, 2004, Olympic/Century made lulling payments to at least 23 investors in Horizon "Program 3" on behalf of Schlegel and Collin.
- i. On or about August 16, 2004, Olympic/Century issued an invoice to Maple Ridge, LLC, for services rendered including the provision of \$2000 in cash, check #1647 to Sherwin Williams, check # 1709 to Maranatha Christian Academy, and \$5000.00 to A.G. and included within the invoice "Tracking # ER 392691617 US Mike Schlegel."
- j. On or about October 14, 2004, "Success By Design" loaned TMM/NatureRich \$65,000.00 in the form of an "Investment CK from Brad Collins."



- k. On or about December 21, 2004, TMM/NatureRich's Controller emailed D.H. indicating that Schlegel wanted him to provide information to D.H.; the information memorialized more than \$692,000.00 in loans from Schlegel to TMM and under "To Dos:" stated, "(1) Offset Mike's draw against loans made to TMM. (2) Offset Brad's draw against loans made to TMM. ... There may have to be some fiscal gymnastics to make sure the money flows appropriately between Mike [Schlegel], Brad [Collin], Kim [Collin] and their funding organizations."
- l. On or about December 24, 2004, Olympic/Century issued a check for \$65,000.00 payable to the TMM/NatureRich.
- m. On or about February 16, 2005, Schlegel emailed Correll (Horizon), stating, "We desperately need a wire tomorrow! Do you have our account info to make a wire? Please have it wired to US Bank ... Account Name is Century Business Concepts ..."
- n. On or about July 18, 2005, Schlegel caused TMM/NatureRich to file a federal U.S. Corporate Income Tax Returns for the tax year 2004 that contained false and misleading statements, including that Schlegel owned 1.39% of NatureRich, Collin owned 1.07% of NatureRich, and Red Maple. LLC, owned 96.9%.
- o. On or about September 28, 2005, Collin -- using the email address bigskiest@hotmail.com -- forwarded to Olympic/Century -- email instructions drafted by Collin's sister to pay \$40,000.00 to

TMM/NatureRich, \$10,000.00 to investor F.C. in Horizon Program 7, and \$750.00 to investor S.W. in Horizon Program 11.

- p. On or about June 5, 2006, Schlegel caused TMM/NatureRich to file a federal U.S. Corporate Income Tax Returns for the tax year 2005 that contained false and misleading statements, including that Schlegel owned 1.39% of NatureRich, Collin owned 1.07% of NatureRich, and Red Maple, LLC, owned 96.9% of NatureRich.
- q. On or about September 17, 2007, Schlegel caused TMM/NatureRich to file a federal U.S. Corporate Income Tax Returns for the tax year 2006 that contained false and misleading statements, including that Schlegel owned 1.39% of NatureRich and Collin owned 1.07% of NatureRich.
- r. On or about September 15, 2008, Schlegel caused TMM/NatureRich to file a federal U.S. Corporate Income Tax Returns for the tax year 2007 that contained false and misleading statements, including that Schlegel owned 1.39% of NatureRich and Collin owned 1.07% of NatureRich.
- s. On or about September 22, 2009, Schlegel caused TMM/NatureRich to file a federal U.S. Corporate Income Tax Returns for the tax year 2008 that contained false and misleading statements, including that Schlegel owned 1.4% of NatureRich, Collin owned 1.1% of NatureRich, and Red Maple, LLC, owned 96% of NatureRich.
- t. On or about September 15, 2010, Schlegel caused TMM/NatureRich to file a federal U.S. Corporate Income Tax Returns for the tax year 2009 that

contained false and misleading statements and omissions, including that Red Maple LLC owned 96% of NatureRich and failing to indicate that Schlegel and Collin had any ownership interest in NatureRich.

All in violation of Title 18, United States Code, Section 371.

**COUNTS 2-4**  
**(26 U.S.C. § 7201: Attempt to Evade or Defeat Tax)**

19. Paragraphs 1-13 and 16-18 are hereby realleged and incorporated by reference.

20. During the calendar years identified below, defendant Michael Anthony Schlegel had and received taxable income identified below and, as a result, owed to the United States of America the individual income tax identified below.

21. Well-knowing and believing the facts set forth in the previous paragraph, the defendant,

**MICHAEL ANTHONY SCHLEGEL,**  
a/k/a Mike Schlegel,

did willfully evade and attempt to evade and defeat the income tax due and owing by him to the United States of America for the taxable years identified below by Committing affirmative acts including, among others, using a nominee trust, the Andrew James Living Trust, in three ways: (1) as a payee on checks, (2) as the named owner of one or more bank accounts, and (3) providing a false taxpayer identification number for the nominee trust to one or more banks.

<b>COUNT</b>	<b>TAX YEAR ENDING</b>	<b>TAXABLE INCOME (approximate)</b>	<b>INDIVIDUAL INCOME TAX OWED (approximate)</b>
<b>2</b>	December 31, 2006	\$105,726.81	\$24,880.60
<b>3</b>	December 31, 2007	\$183,654.08	\$50,381.93
<b>4</b>	December 31, 2008	\$144,597.04	\$37,081.52

All in violation of Title 26, United States Code, Section 7201.

**COUNTS 5-7**

**(26 U.S.C. § 7203: Willful Failure to File Tax Return – 2006, 2007, 2008)**

22. During calendar year identified below, in the State and District of Minnesota, the defendant,

**MICHAEL ANTHONY SCHLEGEL,**  
a/k/a Mike Schlegel,

was an individual not expressly exempt from tax. He therefore was required by law, after the close of the calendar year identified below, and on or before the date identified below, to file an individual income tax return, for and on behalf of himself with the Internal Revenue Service, stating specifically the items of his gross income and the deductions and credits allowed by law. Knowing all of the foregoing, he did willfully fail, on or about the filing deadline identified below, in the State and District of Minnesota and elsewhere, to file an individual income tax return at the time required by law.

COUNT	CALENDAR YEAR	GROSS INCOME (approximate)	FILING DEADLINE FOR RETURN
5	2006	\$139,429.17	April 17, 2007
6	2007	\$272,877.21	April 15, 2008
7	2008	\$269,066.04	April 15, 2009

All in violation of Title 26, United States Code, Section 7203.

**COUNTS 8-10**

**(26 U.S.C. § 7203: Willful Failure to File Tax Return – 2006, 2007, 2008)**

23. During the calendar year identified below, in the State and District of Minnesota, the defendant,

**BRADLEY MARK COLLIN,**  
a/k/a Brad Collin,

was an individual not expressly exempt from tax. He therefore was required by law, after the close of the calendar year identified below, and on or before the date identified below, to file an individual income tax return, for and on behalf of himself with the Internal Revenue Service, stating specifically the items of his gross income and the deductions and credits allowed by law. Knowing all of the foregoing, he did willfully fail, on or about the filing deadline identified below, in the State and District of Minnesota and elsewhere, to file individual income tax return at the time required by law.

<b>COUNT</b>	<b>CALENDAR YEAR</b>	<b>GROSS INCOME (approximate)</b>	<b>FILING DEADLINE FOR RETURN</b>
<b>8</b>	2006	\$27,110.94	April 17, 2007
<b>9</b>	2007	\$33,563.48	April 15, 2008
<b>10</b>	2008	\$18,598.93	April 15, 2009

All in violation of Title 26, United States Code, Section 7203.

A TRUE BILL

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UNITED STATES ATTORNEY

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FOREPERSON